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**濱江服務**

BINJIANG SERVICE

**Binjiang Service Group Co. Ltd.**

**濱江服務集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3316)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023**

The board (the “**Board**”) of directors (the “**Directors**”) of Binjiang Service Group Co. Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023 (the “**Period**”), together with the comparative figures for the six months ended 30 June 2022. The interim results of the Group for the Period have been reviewed by the audit committee of the Company (the “**Audit Committee**”) and approved by the Board on 25 August 2023.

The following interim financial statements are unaudited, but have been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity”, issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be despatched to the shareholders of the Company (the “**Shareholders**”).

Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any tables, charts or elsewhere between totals and sums of amounts listed therein are due to rounding.

## HIGHLIGHTS

The Group achieved the following results for the six months ended 30 June 2023:

- The Group's revenue was RMB1,190.1 million, representing an increase of 43.1% as compared with an amount of RMB831.5 million for the corresponding period of 2022.
- The Group's revenue generated from three business lines are as follows:
  - 1) revenue from property management services was RMB719.4 million, accounting for 60.4% of total revenue, representing an increase of 34.3% as compared with an amount of RMB535.6 million for the corresponding period of 2022;
  - 2) revenue from value-added services to non-property owners was RMB279.5 million, accounting for 23.5% of total revenue, representing an increase of 19.1% as compared with an amount of RMB234.6 million for the corresponding period of 2022; and
  - 3) revenue from 5S value-added services was RMB191.2 million, accounting for 16.1% of total revenue, representing an increase of 211.9% as compared with an amount of RMB61.3 million for the corresponding period of 2022.
- Gross profit was RMB318.0 million, representing an increase of 21.3% as compared with an amount of RMB262.2 million for the corresponding period of 2022. Gross profit margin was 26.7%, representing a decrease of 4.8 percentage points as compared with gross profit margin of 31.5% for the corresponding period of 2022.
- Profit for the Period was RMB237.5 million, representing an increase of 23.4% as compared with an amount of RMB192.4 million for the corresponding period of 2022. The profit for the Period attributable to equity shareholders of the Company was RMB231.0 million, representing an increase of 21.4% as compared with amount of RMB190.3 million for the corresponding period of 2022; net profit margin was 20.0%, decreasing by 3.1 percentage points from 23.1% for the corresponding period of 2022.

- Gross floor area currently managed by the Group (“**GFA under management**”) reached 48.7 million sq.m., representing an increase of 37.4% as compared with the corresponding period of 2022. GFA under management developed by independent third parties was 27.3 million sq.m., accounting for 56.1% of total GFA under management and representing an increase of 4.1 percentage points as compared with the corresponding period of 2022. GFA under management acquired in the first half year of 2023 was 6.7 million sq.m. GFA under management developed by independent third parties in the first half year of 2023 accounted for 62.3% of total GFA under management acquired.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2023 — unaudited  
(Expressed in Renminbi Yuan)*

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2023</b>	<b>2022</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue</b>	3(a)	<b>1,190,076</b>	831,505
Cost of sales		<u>(872,044)</u>	<u>(569,263)</u>
<b>Gross profit</b>		<b>318,032</b>	262,242
Other revenue	4	<b>5,274</b>	6,571
Other net (loss)/income	4	<b>(73)</b>	269
Selling and marketing expenses		<b>(7,569)</b>	(2,423)
Administrative expenses		<b>(33,162)</b>	(22,033)
Impairment losses on trade receivables and contract assets		<b>(3,093)</b>	(3,854)
Other expenses		<u>(808)</u>	<u>(518)</u>
<b>Profit from operations</b>		<b>278,601</b>	240,254
Finance income		<b>31,091</b>	19,506
Finance costs		<u>(339)</u>	<u>(2,002)</u>
<b>Net finance income</b>	5(a)	<b>30,752</b>	17,504
Share of profits less losses of associates		<b>4,599</b>	1,140
Share of profits of a joint venture		<u>538</u>	<u>633</u>
<b>Profit before taxation</b>	5	<b>314,490</b>	259,531
Income tax	6	<u>(77,020)</u>	<u>(67,088)</u>
<b>Profit for the period</b>		<b><u>237,470</u></b>	<b><u>192,443</u></b>

		<b>Six months ended 30 June</b>	
		<b>2023</b>	<b>2022</b>
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>230,996</b>	190,284
Non-controlling interests		<b>6,474</b>	2,159
		<u><b>237,470</b></u>	<u>192,443</u>
<b>Profit for the period</b>		<b>237,470</b>	192,443
<b>Other comprehensive income for the period</b>			
<b>(after tax and reclassification adjustments)</b>			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements of the Company		<b>853</b>	4,324
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		<u><b>(5,319)</b></u>	<u>(353)</u>
<b>Total comprehensive income for the period</b>		<u><b>233,004</b></u>	<u>196,414</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>226,530</b>	194,255
Non-controlling interests		<b>6,474</b>	2,159
<b>Total comprehensive income for the period</b>		<u><b>233,004</b></u>	<u>196,414</u>
<b>Earnings per share</b>	7		
Basic and diluted ( <i>RMB</i> )		<u><b>0.84</b></u>	<u>0.69</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 — unaudited  
(Expressed in Renminbi Yuan)

		At 30 June 2023	At 31 December 2022
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>			
Investment properties		—	425
Property, plant and equipment		32,270	26,486
Intangible assets		3,675	—
Investment in associates		8,531	7,932
Investment in a joint venture		1,738	1,200
Deferred tax assets		25,016	25,677
Time deposits		770,707	283,777
Prepayments		6,463	8,425
		<u>848,400</u>	<u>353,922</u>
<b>Current assets</b>			
Inventories		139,898	147,499
Contract assets		50,917	9,064
Trade and other receivables	8	493,644	343,471
Time deposits		254,812	132,133
Restricted bank balances		52,738	58,012
Cash and cash equivalents		2,019,619	1,949,891
		<u>3,011,628</u>	<u>2,640,070</u>
<b>Current liabilities</b>			
Contract liabilities	9	1,546,641	907,338
Trade and other payables	10	943,806	672,445
Lease liabilities		1,037	454
Current taxation		86,160	100,564
		<u>2,577,644</u>	<u>1,680,801</u>
<b>Net current assets</b>		<u>433,984</u>	<u>959,269</u>

		At <b>30 June 2023</b> <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
	<i>Note</i>		
<b>Total assets less current liabilities</b>		<b>1,282,384</b>	1,313,191
<b>Non-current liability</b>			
Lease liabilities		<b>800</b>	—
Deferred tax liabilities	6	<b>13,171</b>	26,883
		<b>13,971</b>	26,883
<b>NET ASSETS</b>		<b>1,268,413</b>	1,286,308
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>181</b>	181
Reserves		<b>1,221,704</b>	1,246,073
<b>Total equity attributable to equity shareholders of the Company</b>		<b>1,221,885</b>	1,246,254
<b>Non-controlling interests</b>		<b>46,528</b>	40,054
<b>TOTAL EQUITY</b>		<b>1,268,413</b>	1,286,308

## NOTES

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 1 Basis of preparation

The interim financial information of Binjiang Service Group Co. Ltd. (the “**Company**”) as at and for the six months ended 30 June 2023 comprises the Company and its subsidiaries (together referred to as the “**Group**”). The interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“**IAS**”) 34 “*Interim Financial Reporting*” adopted by the International Accounting Standards Board (“**IASB**”).

The Company was incorporated in the Cayman Islands on 6 July 2017 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company’s shares were listed on the Main Board on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 15 March 2019 (the “**Listing**”).

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.



## 2 Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to this interim financial information for the current accounting period:

- IFRS 17, Insurance contracts
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform — Pillar Two model rules*

None of these amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial information. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 3 Revenue and segment reporting

### (a) Revenue

The principal activities of the Group are property management services, value-added services to non-property owners and 5S value-added services. 5S value-added services include community value-added services, home decoration services and brokerage services for property sales and leasing.

Revenue represents income from property management services, value-added services to non-property owners and 5S value-added services.

The amount of each significant category of revenue are as follows:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
<b>Revenue recognised over time:</b>		
Property management services	<b>719,350</b>	535,628
Value-added services to non-property owners	<b>279,492</b>	234,585
5S value-added services	<b>136,078</b>	19,759
	<b>1,134,920</b>	789,972
<b>Revenue recognised at point in time:</b>		
5S value-added services ( <i>note</i> )	<b>54,596</b>	40,918
	<b>1,189,516</b>	830,890
<b>Revenue from other sources</b>		
5S value-added services		
— Rental income from investment properties	<b>560</b>	615
	<b>1,190,076</b>	831,505

*Note:* For 5S value-added services that involve sale of goods and brokerage services for property sales and leasing, the Group recognises revenues at point in time when the property owners take possession of and accept the goods and services.

For the six months ended 30 June 2023, the Group had transactions with one customer exceeding 10% individually of its total revenue (six months ended 30 June 2022: one).

**(b) Segment reporting**

The directors of the Company have been identified as the Group's most senior executive management. Operating segments are identified on the basis of internal reports that the Group's most senior executive management reviews regularly in allocating resource to segments and in assessing their performances.

The Group's most senior executive management makes resources allocation decisions based on internal management functions and assess the Group's business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

No geographical segment analysis is shown as all of the Group's revenue are derived from activities in, and from customers located in the PRC and almost all of carrying values of the Group's assets are situated in the PRC.

**4 Other revenue and other net (loss)/income**

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Other revenue</b>		
Government grants ( <i>note (i)</i> )	<b>2,296</b>	4,646
Value-added tax deductible ( <i>note (ii)</i> )	<b>1,523</b>	1,728
Others	<b>1,455</b>	197
	<hr/>	<hr/>
	<b>5,274</b>	<b>6,571</b>
	<hr/> <hr/>	<hr/> <hr/>

- (i) Government grants mainly represent unconditional discretionary financial support from local municipal government authorities.
- (ii) Value-added tax deductible mainly included additional deduction of input value-added tax applicable to certain subsidiaries of the Group.

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Other net (loss)/income</b>		
Net loss on disposal of property, plant and equipment	(74)	(21)
Net realised gains on financial assets at fair value through profit or loss	—	160
Net foreign exchange gains	<u>1</u>	<u>130</u>
	<b><u>(73)</u></b>	<b><u>269</u></b>

## 5 Profit before taxation

Profit before taxation is arrived at after (crediting)/charging:

### (a) Net finance income

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Interest income on bank deposits	(31,091)	(19,506)
Interest expense on advance payments from customers	284	1,954
Interest on lease liabilities	<u>55</u>	<u>48</u>
Net finance income	<b><u>(30,752)</u></b>	<b><u>(17,504)</u></b>

### (b) Staff costs

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Salaries and other benefits	413,035	320,184
Contributions to defined contribution scheme (note (i))	<u>33,424</u>	<u>32,237</u>
	<b><u>446,459</u></b>	<b><u>352,421</u></b>

- (i) Employees of the Group's PRC subsidiaries are required to participate in a defined contribution scheme administered and operated by the local municipal governments. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

**(c) Other items**

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Amortisation of intangible assets	<b>62</b>	—
Depreciation		
— Property, plant and equipment	<b>4,565</b>	3,290
— <i>owned property, plant and equipment</i>	<b>3,951</b>	2,594
— <i>right-of-use assets</i>	<b>614</b>	696
— Investment properties	<b>425</b>	425
Impairment losses on trade receivables and contract assets	<b>3,093</b>	3,854
Expenses related to short-term leases	<b>6,897</b>	5,817
Cost of inventories	<b>9,561</b>	4,833
Outsourcing labor costs	<b>151,137</b>	105,436

## 6 Income tax

Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
<b>Current tax</b>		
PRC corporate income tax	61,086	55,807
(Over)/under-provision in respect of prior years	(15)	1,695
	<u>61,071</u>	<u>57,502</u>
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	661	(2,757)
Withholding tax on the profits of the Group's PRC subsidiaries ( <i>note iv</i> )	15,288	12,343
	<u>15,949</u>	<u>9,586</u>
	<u>77,020</u>	<u>67,088</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands (the “BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) The income tax rate applicable to the Group's subsidiary incorporated in Hong Kong for the income subject to Hong Kong Profits Tax during the reporting period is 16.5%. No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the reporting period (six months ended 30 June 2022: Nil).

- (iii) The Group's PRC subsidiaries are subject to PRC income tax at 25%. For certain subsidiaries recognised as a small profit enterprise in 2023, the portion of annual taxable income amount, which does not exceed RMB1 million, shall be computed at a reduced rate of 25% (six months ended 30 June 2022: 12.5%) as taxable income amount, and be subject to enterprise income tax at 20% (six months ended 30 June 2022: 20%). And the portion of annual taxable income, which exceeds RMB1 million but does not exceed RMB3 million, shall be computed at a reduced rate of 25% (six months ended 30 June 2022: 25%) as taxable income amount, and be subject to enterprise income tax at 20% (six months ended 30 June 2022: 20%).
- (iv) According to the PRC corporate income tax laws and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In respect of dividends that are subject to the withholding tax, provision for withholding tax is recognised for the dividends that have been declared, and deferred tax liability is recognised for those to be declared in the foreseeable future.

As at 30 June 2023, deferred tax liabilities of RMB13,171,000 were recognised in respect of the 10% PRC dividend withholding tax that would be payable on the distribution of the retained profits of the Group's PRC subsidiaries (31 December 2022: RMB26,883,000).

The movement of deferred tax liabilities in respect of withholding tax on profits retained by the Group's PRC subsidiaries during the six months period ended 30 June 2023 is as follows:

	Withholding tax on profits retained by the Group's PRC subsidiaries <i>RMB'000</i>
At 1 January 2023	26,883
Charged to profit or loss	15,288
Transferred to current taxation	<u>(29,000)</u>
At 30 June 2023	<u><u>13,171</u></u>

## 7 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB230,996,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB190,284,000) and the weighted average of 276,407,000 ordinary shares (six months ended 30 June 2022: weighted average number of 276,407,000 shares) in issue during the period.

Diluted earnings per share is equal to basic earnings per share as there were no dilutive potential shares outstanding for the six months ended 30 June 2023 and 2022.

## 8 Trade and other receivables

	At 30 June 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Trade receivables		
— third parties	381,711	253,161
— related parties	80,035	62,326
	<u>461,746</u>	<u>315,487</u>
Less: Allowance for impairment of trade receivables		
— third parties	(50,442)	(49,246)
— related parties	(2,873)	(2,271)
	<u>(53,315)</u>	<u>(51,517)</u>
Total trade receivables, net of loss allowance	408,431	263,970
Other receivables from related parties	1,574	1,524
Deposits and prepayments	47,112	41,196
Payments on behalf of property owners	17,612	14,410
Advances to employees	5,695	2,357
Other receivables	13,220	20,014
	<u>493,644</u>	<u>343,471</u>



Trade receivables are primarily related to revenue recognised from the provision of property management services and value-added services to non-property owners.

As at the end of each reporting period, the ageing analysis of trade receivables based on the date of revenue recognition and net of allowance for impairment of trade receivables, is as follows:

	<b>At 30 June 2023 RMB'000</b>	<b>At 31 December 2022 RMB'000</b>
Within 1 year	<b>390,737</b>	257,725
1 to 2 years	<b>17,694</b>	6,245
	<hr/>	<hr/>
Total trade receivables, net of loss allowance	<b><u>408,431</u></b>	<b><u>263,970</u></b>

## 9 Contract liabilities

	<b>At 30 June 2023 RMB'000</b>	<b>At 31 December 2022 RMB'000</b>
<b>Contract liabilities</b>		
Property management services	<b>388,310</b>	163,153
Value-added services to non-property owners	<b>2,570</b>	1,115
5S value-added services	<b>1,155,761</b>	743,070
	<hr/>	<hr/>
	<b><u>1,546,641</u></b>	<b><u>907,338</u></b>

## 10 Trade and other payables

As of the end of the reporting period, the ageing analysis of trade payables from third parties, based on the invoice date, is as follows:

		At 30 June 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
	<i>Note</i>		
Within 1 month		<b>28,705</b>	52,676
After 1 month but within 3 months		<b>38,313</b>	73,623
After 3 months but within 1 year		<b>82,088</b>	308
Over 1 year		<b>1,910</b>	1,625
		<hr/>	<hr/>
Total trade payables from third parties		<b>151,016</b>	128,232
Amounts due to related parties	(i)	<b>45,871</b>	56,678
Deposits		<b>53,925</b>	43,479
Other taxes and charges payable		<b>149,746</b>	81,742
Accrued payroll and other benefits		<b>108,795</b>	174,467
Cash collected on behalf of the property owners' associations		<b>45,912</b>	39,476
Temporary receipts from property owners		<b>124,023</b>	116,929
Dividends payable to equity shareholders		<b>255,097</b>	—
Other payables and accruals		<b>9,421</b>	31,442
		<hr/>	<hr/>
		<b>943,806</b>	<b>672,445</b>
		<hr/> <hr/>	<hr/> <hr/>

- (i) The amounts due to related parties are unsecured and interest-free. Among which, RMB43,198,000 (31 December 2022: RMB52,979,000) are prepaid property management services fees and value-added services fees received from related parties and expected to be recognised as income within one year.

## 11 Dividends

Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period:

During the six months ended 30 June 2023, a final dividend of HK\$1.001 per share in respect of the year ended 31 December 2022 (six months ended 30 June 2022: final dividend of HK\$0.473 per share) was declared to the equity shareholders of the Company. The aggregate amount of the final dividend declared during the six months ended 30 June 2023 amounted to HK\$276,683,407 (RMB equivalent 250,899,000) (six months ended 30 June 2022: HK\$130,740,511 (RMB equivalent 111,059,000)).

## CHAIRMAN’S STATEMENT

To all Shareholders,

Thank you for your trust in and support to the Group. On behalf of the Board, I am pleased to present the Group’s unaudited consolidated results for the six months ended 30 June 2023.

During the sessions for the National People’s Congress and the Chinese People’s Political Consultative Conference, General Secretary Xi reiterated that high-quality development is the top priority of building a modern socialist country in all aspects, and the property management industry is also moving towards the stage of high-quality development. The first half year of 2023 remained challenging for the property industry, while the Group actively adapted to market changes externally, sorted out the management system internally, and developed in a practical manner based on its own advantages and characteristics to achieve a steady growth.

### **Continuously utilizing the quality for brand building**

The Group adheres to its mission of providing high-quality services and strives to become a top property management brand in China and a benchmark in Zhejiang. In the first half year of 2023, the Group further promoted project quality inspection led by the senior management of the Group, improved the implementation of relevant responsibilities based on inspection results, and conducted inspection and evaluation from multiple dimensions such as housekeeping, security, engineering, cleaning and environment. The Group timely issued a rectification plan for the problems detected, completed the rectification within the prescribed time and compiled relevant reports, with the final review and acceptance by the quality management department as completion of the rectification, so as to further implement the quality standardization and management standardization.

At the same time, the Group attaches great importance to safety issues and constantly strengthens safety awareness. In the first half year of 2023, the Group actively carried out engineering safety inspections, strengthened fire safety inspections, and effectively carried out the management of electricity consumption in summer, safety management of swimming pools and electric car and flood and typhoon prevention, so as to continuously consolidate and improve the safety emergency response capabilities.

By fully benchmarking with peers, the Group will sort out the advantages and characteristics of the Group’s own benchmark and competitive products in the industry, actively give full play to its own advantages in subsequent work, continuously consolidate and improve service quality, strive to build brand reputation, reinforce its competitiveness, and continuously promote sound corporate development.

## Continuously utilizing the Group's brand for market expansion

The Group continues to adhere to its quality expansion strategy and strives to promote growth in scale by utilizing its brand name and use projects under management as the main window for outward expansion. As of 30 June 2023, GFA under management by the Group under signed property management contracts was approximately 48.7 million sq.m., representing an increase of 37.4% as compared with the corresponding period of 2022. GFA under management developed by independent third parties reached 27.3 million sq.m., accounting for 56.1% of total GFA under management and representing an increase of 4.1 percentage points as compared with the corresponding period of 2022. GFA under management acquired during the first half year of 2023 reached 6.7 million sq.m., and 62.3% of which were independent third party properties. As of 30 June 2023, GFA under signed property management contracts (“**contracted GFA**”) was approximately 74.2 million sq.m., representing an increase of 29.4% as compared with the corresponding period of 2022.

In addition to its existing 15 strategic partners, the Group commenced its cooperation with Zhejiang Zhicheng Group in the first half year of 2023. The Group had contracted projects in 18 cities in total. The Group is actively launching Landing Strategy through pursuing the development of benchmark projects in the regions it has entered. In the first half year of 2023, an additional third party project in Shangrao City, Jiangxi Province was expanded outside the province. Following the Group's consecutive undertaking of two inventory projects, namely Zhuxuan\* (竺軒) of Castalia Court\* (雲荷廷) and Xixuan\* (溪軒) of Castalia Court\* (雲荷廷) in Hangzhou City in 2020, the Group successfully undertook the Project Yunxuan\* (雲軒) of Castalia Court\* (雲荷廷) in the first half year of 2023 with the monthly property fee being RMB4.5 per sq.m. in view of the wide recognition of its quality services. As the Group's project under management, Splendid City\* (錦繡之城), performed well in the second-hand housing market of Shenhua sector in Hangzhou City, Zhongjia Dexi Shangzuo\* (中家德璽尚座) Project, which is also located in this sector, engaged the Group to provide property services for it with the monthly property management fee of RMB6.5 per sq.m.. At the same time, the monthly property management fee of Xintuo Ningguangfu\* (新拓寧光府), the Group's project in Ningbo City, Zhejiang Province, is RMB5.5 per sq.m..

In addition, the Group continued to expand its non-residential projects in the first half year of 2023. Following Bank of Beijing and China Zheshang Bank, the Group signed a contract with Bank of Nanjing in relation to Hangzhou Branch Building Project and started to provide property services to Bank of Nanjing. The Group entered into a contract for the Qingtian Global Mall\* (青田環球購物中心) Project, which is the first non-residential project in Lishui City, Zhejiang Province. The Group also signed contracts with Hangzhou Shangcheng District Cultural Centre\* (杭州市上城區文化館) and Hangzhou Binjiang District No. 1 Industrial Complex\* (杭州市濱江區第一工業綜合體) and other projects to continuously strengthen its comprehensive service capabilities.

## **Continuously utilizing concentration to promote value-added services**

Leveraging its excellent brand reputation, the Group gave full play to its concentration advantage, and gradually promoted 5S value-added services based on exploring the needs of property owners and its own resources, continuing to provide quality services for one-stop care and maintenance of housing assets.

In the first half year of 2023, 5S value-added services were promoted in an orderly manner. Binjiang Youjia (優家) continued to carry out brokerage business. With a dedicated, professional and exclusive service attitude, the real estate sales team in the primary market, the sales team in the secondary market and the property service team cooperated in various aspects to obtain customer recognition with efficient and thoughtful services. Binjiang Youju (優居) continues to focus on the actual needs of the owners, offering various services including whole-house interior design, household cabinet customization, electrical appliances and equipment addition and upgrading, and the gradual implementation of furnishing services. Adhering to the vision of “Creating Life through Furnishing the Home”, Binjiang Youju provides the owners with a refreshing living experience.

In addition, the Group will continue to develop its home living services such as Youxiang living services (優享生活服務), and will rely on its existing resources and brand image to provide its customers with thoughtful and quality services.

## **Continuously improving management through standardization**

The Group has put great efforts in promoting the standardization of products and management. On the one hand, based on the actual situation of the Group’s projects under management, the staffing standards of the star-rated service system has been improved from multiple dimensions such as star rating, number of households, area, and revenue, through which the management was more refined.

The Group continued to promote the construction of informatization and intelligentization, gave full play to the role of information technology in supporting business, improved multi-dimensional data coordination and benchmarking, and promoted applications. Merging online systems and offline hardware, the Group is committed to providing property owners with a seamless experience while improving its management efficiency.

The Group attached great importance to personnel management. In the first half year of 2023, the Group continued to promote employee reserve and training process, and implemented a talent management model that employs people in an eclectic manner to conduct talent assessment and adjustment in a timely manner, through which the Group further improved management efficiency, strengthened the implementation of various personnel systems, and improved the ability of overall team to cope with the expansion of the Group's scale and business.

## Honors

During the Period, the Group ranked 14th among the Top 100 Property Management Service Brands selected by China Index Academy (“CIA”), and won the titles of the “2023 TOP 10 China Excellent Listed Property Management Company by Investment Value (2023中國上市物業服務投資價值優秀企業TOP 10)” granted by CIA, “2023 Leading Listed Company of Property Management Service — Top 10 in High-quality Development (2023中國物業管理上市公司領先企業高質量發展TOP 10)” granted by E-House CRIC, the “2023 Top 5 Listed Companies in Growth Rate of China Property Management Service (2023中國上市物企增長速度TOP 5)” selected by China Property Management Think Tank. During the Period, the projects under the Group's management received 69 awards in total. Some of the awards are as follows:

Wenchao Yipin Apartment\*, Xixi Mingzhu\*, Ningdu Garden and Pinghu Wanjia Flower City Cuihu Garden Projects were awarded as “2022 Provincial Demonstration Community of Household Waste Classification (2022年度省級高標準生活垃圾分類示範小區)”, Pinghu Wanjia Flower City Jiaheyuan\* was awarded as “2022 Red Property in Zhejiang Province (2022年度浙江省紅色物業)”, Shangrao Zhuxili\* Project was awarded the title of “Civilized Community (文明小區)” in Shangrao City and the “Red List (紅榜)” Demonstration Zone in Guangxin District of Shangrao City. Golden Dawn Phase III\* and Haiyu Jinhua Apartment Project were awarded “Provincial Water-efficient Communities (省級節水型小區)” in Zhejiang Province, Golden Dawn Phase III\*, Zijin Mansion, Wocheng Impression, Jade Jiangnan and Oriental Mansion Projects were awarded as “2023 Provincial Demonstration Community of High Standard Household Waste Classification (2023年度省級高標準生活垃圾分類示範小區)”, and Hangzhou Binjiang Property Management Company Limited, Shanghai Branch was awarded the title of “Excellent Enterprise” in Dachang Town, Baoshan District, Shanghai City in 2022. Hangzhou Xiaoshan Binhong Property Management Company Limited was awarded the title of “2022 Advanced Property Service Enterprise” in the Property Industry of Xiaoshan District, Hangzhou City. Jiangnan Star Apartment\*, Lansong Aofu\*, Xianghu No. 1 Garden\*, Dongfang Haian Home\*, Ningdong Yongchaofu\*, Dongfang No. 1 Apartment\*, Tonghui Oriental Mansion\*, Wocheng Impression Apartment\*, Golden Jiangnan Apartment\* and Baifeng Longyuefu\* Projects were awarded as “2022 Five Stars Property Service Project in Xiaoshan (2022年



度蕭山區五星級物業服務)” by the Housing and Urban-Rural Development Bureau of Xiaoshan District, Hangzhou City (杭州市蕭山區住房和城鄉建設局). Wenchao Yipin Apartment\* and Xixi Star Projects were awarded as “2022 Hangzhou Property Management Outstanding Residential Project (2022年度杭州市物業管理優秀住宅類項目)”, and Binlv Building was awarded as “2022 Hangzhou Property Management Excellent Non-residential Project (2022年度杭州市物業管理優秀非住宅類項目)”.

The Group has actively organized various community activities. To embrace the Asian Games Hangzhou, the Group, together with Hangzhou Binjiang Investment Holdings Co., Ltd.\* (杭州濱江投資控股有限公司), (“**Binjiang Holdings**”) and its subsidiaries (collectively, “**Binjiang Group**”), a leading property developer in China, launched five theme events namely “Vibrant Binjiang, Embracing the Asian Games”, including “National Fitness Season”, “Little Swimming Talent”, “Ping-Pong Perseverance”, “Fashionable Carnival” and “Colorful Photography”. Starting from multiple sports and cultural activities such as aerobic exercise, swimming, table tennis, parent-child activities and photography, the Group will empower the new vitality of the Asian Games with quality services and bring better experience to owners.

There is no limit to serve with quality. The Group will continue to assume its social responsibilities in alignment with its corporate reputation.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Looking back to the first half year of 2023, the Group maintained steady growth and continued to place emphasis on the Yangtze River Delta, further expanding its operations within Yangtze River Delta. The Group has a total of 158 subsidiaries and branches across the Zhejiang Province, Shanghai, Jiangsu Province, Jiangxi Province and Hainan Province in China. At the same time, the Group has recorded sizeable increase in both GFA under management and the contracted GFA. As of 30 June 2023, the GFA under management of the Group was approximately 48.7 million sq.m., representing an increase of 37.4% as compared with the corresponding period of 2022. The contracted GFA was approximately 74.2 million sq.m., representing an increase of 29.4% as compared with the corresponding period of 2022, which will strongly support the business growth of the Group.

As of 30 June 2023, the Group's revenue increased by 43.1% to RMB1,190.1 million; gross profit was RMB318.0 million, up 21.3% from the corresponding period of 2022; and gross profit margin was 26.7%, decreasing 4.8 percentage points from the corresponding period of 2022. Revenue generated from property management services, value-added services to non-property owners and 5S value-added services amounted to RMB719.4 million, RMB279.5 million and RMB191.2 million, respectively. In the first half year of 2023, the average monthly property management fee of the Group was approximately RMB4.27 per sq.m. (corresponding period of 2022: RMB4.28 per sq.m.), calculated by dividing the revenue generated from property management services for the Period by the average chargeable GFA at the beginning and the end of the Period. Leveraging its brand recognition and industry influence, the Group was able to charge relatively high property management fee for its quality property management services.

The Group provided high-quality property management services that are tailored to its customers' need and maintained its brand recognition and awareness in terms of property services. As the Group's quality services were highly recognized within the region, Binjiang Group have established close business relationship with the Group and continuously provided a large number of premium projects to the Group. In the first half year of 2023, the total full-caliber sales of Binjiang Group amounted to RMB92.58 billion, ranking 10th in the list of national real estate enterprises of CRIC, and acquired 23 pieces of quality land.

Leveraging its high-quality services, the Group was able to expand its business through various channels and undertake a wide range of projects, including but not limited to undertaking government projects, maintaining good relationships with strategic partners and expanding its direct sales. During the Period, the Group actively promoted the third-party project expansion strategy. As of 30 June 2023, GFA under management from independent third parties was 27.3 million sq.m., representing an increase of 48.4% as compared with the corresponding period of 2022. During the Period, revenue generated from property management services provided to projects developed by independent third parties amounted to RMB363.4 million, representing an increase of 49.6% as compared with the corresponding period of 2022.

In view of the rapid development of the overall property services industry in recent years, the Group shall expand its scale and increase its profit while maintaining its service quality in the course of its operations. With the Group's services quality as its core competitiveness, the Group will leverage the Company's effective structure management, raise the standard of specialized services, and gradually increase its investment in technologies to enhance the efficiency of its management and operation, streamline its operation procedures, optimize its quality assurance system, and improve its service capabilities so as to achieve synergetic development of quality, scale and profitability.

## Business models of the Group

Due to the expansion of services, the Group committed itself to becoming a trusted property management and maintenance provider of property owners and positioned its 5S value-added services as a driver of future profit growth in strict accordance with the strategic deployment of the Board. The management classified business segments into property management services, value-added services to non-property owners and 5S value-added services, forming an entire value chain of comprehensive services within property management.

- **Property management services:** The Group provides a series of high-quality property management services, including security, cleaning, gardening, repair, maintenance and ancillary services to our property owners, and charges service fee from residents and property owners or real estate developers of such properties under our management for property management services. In addition, the Group provides land reserve management services, primarily including land management and maintenance, green planting and maintenance, wall and fence painting works, muck removal and transportation, installation and management of monitoring devices, and others.
- **Value-added services to non-property owners:** The Group provides value-added services to non-property owners, mainly to property developers. These services refer to pre-delivery services, consulting services and community space services. Pre-delivery services include cleaning, assisting with quality check and security services for completed properties and display units and providing property sales venue management services to property developers during the pre-delivery stage of property sales. Consulting services include advising property developers at the early and construction stages on project planning, design management and construction management to enhance functionality, comfort and convenience. Community space services include (i) assisting advertisement companies with regards to advertisement placements in the community spaces in the Group's managed properties, and (ii) managing community venues in the Group's managed properties.
- **5S value-added services:** The Group also provides 5S value-added services to property owners. The value-added services to property owners include three major businesses, namely Youjia services, Youju services and Youxiang living services.

Youjia services include the primary and secondary property sales, leasing agent services and car parking space and storage room services. The Group is committed to providing attentive services for customers with its resources.

Youju services include home decoration services. It adheres to its "Living Home" interior services concept to provide elegant, stylish, modern and customized furnishing services, interior design services, home decoration services as well as facility upgrade services and maintenance for its customers.

Youxiang living services include home living services. In view of the different functions in residential and non-residential properties, the Group provides additional services that are tailored to its customers' need.

- During the Period, the revenue of the Group amounted to RMB1,190.1 million, representing an increase of 43.1% as compared with the amount for the corresponding period of 2022. Gross profit amounted to RMB318.0 million, representing an increase of 21.3% as compared with the amount for the corresponding period of 2022. Gross profit margin was 26.7%, representing a decrease of 4.8 percentage points as compared with the gross profit margin for the corresponding period of 2022. Revenue from property management services, value-added services to non-property owners and 5S value-added services amounted to RMB719.4 million, RMB279.5 million and RMB191.2 million, respectively.

It has been the strategic objective of the Group to expand its managed area with stability and quality. The Group seeks to maintain steady increase in contracted GFA and GFA under management through various channels.

The table below sets out the changes in the contracted GFA and GFA under management of the Group for the Period and the corresponding period of 2022:

	<b>For the six months ended 30 June</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Contracted GFA (<i>'000 sq.m.</i>)</b>	<b>GFA under Management (<i>'000 sq.m.</i>)</b>	<b>Contracted GFA (<i>'000 sq.m.</i>)</b>	<b>GFA under Management (<i>'000 sq.m.</i>)</b>
At the beginning of the period	<b>69,058</b>	<b>41,970</b>	49,783	29,948
Addition	<b>6,234</b>	<b>7,810</b>	7,708	5,618
Termination	<b>(1,072)</b>	<b>(1,072)</b>	(127)	(127)
At the end of the period	<b><u>74,220</u></b>	<b><u>48,708</u></b>	<b><u>57,364</u></b>	<b><u>35,439</u></b>

*Note:* As at 30 June 2023, the Group had 497 contracted projects and the contracted GFA was 74.2 million sq.m. (as at 30 June 2022: 57.4 million sq.m.).

The table below sets forth the breakdown of the Group's total property management services revenue, GFA under management and number of projects by type of properties during the Period and the corresponding period of 2022:

	For the six months ended 30 June					
	2023			2022		
	Revenue (RMB'000)	GFA under Management ( '000 sq.m.)	Number of projects	Revenue (RMB'000)	GFA under Management ( '000 sq.m.)	Number of projects
Residential	524,128	39,184	222	389,986	27,993	156
Non-residential	192,008	9,524	106	137,051	7,446	81
Land management	3,214	—	—	8,591	—	—
<b>Total</b>	<b>719,350</b>	<b>48,708</b>	<b>328</b>	<b>535,628</b>	<b>35,439</b>	<b>237</b>

The table below sets forth the breakdown of total property management services revenue, GFA under management and number of projects by type of developers during the Period and the corresponding period of 2022:

	For the six months ended 30 June					
	2023			2022		
	Revenue (RMB'000)	GFA under Management ( '000 sq.m.)	Number of projects	Revenue (RMB'000)	GFA under Management ( '000 sq.m.)	Number of projects
Properties developed by Binjiang Group <sup>(1)</sup>	355,935	21,404	129	292,691	17,002	97
Properties developed by independent property developers	360,201	27,304	199	234,346	18,437	140
Land management	3,214	—	—	8,591	—	—
<b>Total</b>	<b>719,350</b>	<b>48,708</b>	<b>328</b>	<b>535,628</b>	<b>35,439</b>	<b>237</b>

Note:

- (1) Refers to properties developed solely or co-developed with other parties by subsidiaries or joint ventures or associates of Binjiang Group.

The table below sets forth the breakdown of total property management services revenue, GFA under management and number of projects by geographic region during the Period and the corresponding period of 2022:

	For the six months ended 30 June					
	2023			2022		
	Revenue (RMB'000)	GFA under Management ( '000 sq.m.)	Number of projects	Revenue (RMB'000)	GFA under Management ( '000 sq.m.)	Number of projects
Hangzhou	512,480	30,121	229	406,107	22,951	166
Zhejiang province (excluding Hangzhou)	179,887	16,942	88	117,945	11,468	65
Outside Zhejiang	26,983	1,645	11	11,576	1,020	6
<b>Total</b>	<b>719,350</b>	<b>48,708</b>	<b>328</b>	<b>535,628</b>	<b>35,439</b>	<b>237</b>

The table below sets forth the distribution of GFA under management of the Group in five major cities as at 30 June 2023:

	Number of projects	GFA under management ( '000 sq.m.)	Percentage of the total GFA under management	Developed by the Independent third parties
Hangzhou	229	30,121	61.8%	53.9%
Jinhua	33	6,920	14.2%	79.5%
Shaoxing	12	2,821	5.8%	76.9%
Jiaxing	17	2,482	5.1%	26.1%
Ningbo	5	1,152	2.4%	83.5%

## **FUTURE PROSPECTS**

### **Further promotion of quality brand building**

The Group will continue to strengthen its brand responsibility, and strive to become a brand leader in the property industry, and a high-end quality standard setter. The Group will improve the recruitment standards for star-rated service system to further develop its service standardization model and create customized services and strive to become “a top property management brand in China and a benchmark in Zhejiang”. Through providing effective and consistent services, the Group will gain higher brand value and sustainable market competitiveness. Therefore, the Group will improve its regular quality inspections and enhance and expand the monitoring of its daily quality control through unannounced inspections, project safety inspections and daily inspections by regional property departments. In addition, the Group will improve the implementation of the relevant responsibilities based on the inspection results, and conduct inspection and evaluation from various dimensions, such as cleaning, security, housekeeping, engineering, environment, etc., so as to ensure the long-lasting quality of projects under management with up-to-date service standards.

The Group will fully benchmark against its peers, sort out the advantageous features of the Group’s own benchmarking and competing projects in the industry, actively utilize its own advantages in the follow-up work, continuously consolidate and improve the quality of its services, and devote itself to building up its brand reputation so as to consolidate its own competitiveness and continuously promote the sound development of the enterprise.

### **Further expansion of business scale and market share**

The property management service industry in China is increasingly concentrated. The Group intends to leverage its success in the high-end market in the Yangtze River Delta and its existing service management systems and standards to expand its current market share and to further penetrate new markets. With a benchmark model where it takes root within the region once a benchmark property has been established within, the Group will form its business development direction of focusing on Hangzhou, deeply cultivating the Yangtze River Delta, radiating to eastern China, exploring opportunities in Greater Bay Area, and paying attention to the mid-west China. The foundation of the Group’s trend for the quality expansion and high-quality development has been established. In the future, the Group will continue to actively develop projects that meet the requirements of the Group in the areas where the projects are located.



## **Providing diversified services**

Based on the demand of property owners, the Group strives to become a trustworthy property manager and caretaker for property owners by leveraging its professional property products and services. The Group will develop value-added services system focusing on 5S, which includes home decoration services, interior design service, primary and secondary intermediary services, facilities and equipment replacement and upgrade services. All business lines of 5S value-added services will provide business opportunities to other business segments and complement services provided by such segments, becoming a new driver for profit growth within the Group. Binjiang Youjia's brokerage business will continue to be developed. With a dedicated, professional and exclusive service attitude, the sales team in the primary properties, the sales team of the secondary properties and the property service team collaborated in various aspects to gain customers' recognition with efficient and considerate services. Binjiang Youju will continue to focus on the actual needs of property owners. Adhering to the vision of "Creating Life through Furnishing the Home", the services include home interior design, household cabinet customization, electrical appliances and equipment addition and upgrading, and the gradual implementation of furnishing services. In addition, the Group will capitalize its advantages derived from the existing platform to establish strategic partnerships through various channels and expand its services business coverage. The Group will continue to maintain and actively seek for additional partnership opportunities with well-known enterprises in the industry, promoting and replicating its successful partnership model.

## **Further improvement of management and operation systems**

The Group puts great efforts in upgrading its internal management system and smart management platform, while adhering to its principles and maintaining a degree of flexibility to prepare for future development. The Group aims to boost its development through optimizing its management structure, setting up standardized operation procedures, and strengthening the procurement control to refine its internal control mechanism and improve multidimensional data coordination and benchmarking. In addition, the Group strives to enhance its management efficiency by using smart approaches. The Group aims to provide property owners with comprehensive and convenient services in a timely and safe manner through integrating internal and external resources. Leveraging its management experience, the Group intends to accelerate the arrangement for the application of smart technologies and the construction of its informationalized platforms and ecosystems, creating a digital management system platform.

The Group improved the relevant system and standardisation in financial management, sorted out the sales model of remaining assets such as parking spaces and storage rooms, and continued to strengthen the management and control of expenses, costs and accounts receivable.



The Group will continue to promote standardisation, actively benchmark against excellent peers, improve its own management level, and strive to make the Group's brand better, stronger ability and better reputation. All departments of the Group will try their best to cooperate and support.

## FINANCIAL REVIEW

The Group's revenue was generated from three main business lines: (i) property management services; (ii) value-added services to non-property owners; and (iii) 5S value-added services. During the Period, (i) the property management services was the largest source of revenue and profit for the Group, accounting for 60.4% of total revenue; (ii) value-added services to non-property owners was the second largest source of revenue for the Group, accounting for 23.5% of total revenue.

	For the six months ended 30 June				Changes %
	2023		2022		
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	
<b>Property management services</b>	<b>719,350</b>	<b>60.4</b>	535,628	64.4	34.3
Property management services for residential properties	<b>524,128</b>	<b>44.0</b>	389,986	46.9	34.4
Property management services for non-residential properties	<b>192,008</b>	<b>16.1</b>	137,051	16.5	40.1
Land management	<b>3,214</b>	<b>0.3</b>	8,591	1.0	-62.6
<b>Value-added services to non-property owners</b>	<b>279,492</b>	<b>23.5</b>	234,585	28.2	19.1
Pre-delivery services	<b>263,825</b>	<b>22.2</b>	219,343	26.4	20.3
Consulting services	<b>10,904</b>	<b>0.9</b>	10,091	1.2	8.1
Community space services	<b>4,763</b>	<b>0.4</b>	5,151	0.6	-7.5
<b>5S value-added services</b>	<b>191,234</b>	<b>16.1</b>	61,292	7.4	212.0
Youjia services	<b>51,297</b>	<b>4.3</b>	39,118	4.7	31.1
Youju services	<b>120,707</b>	<b>10.1</b>	6,473	0.8	1,764.8
Youxiang living services	<b>19,230</b>	<b>1.7</b>	15,701	1.9	22.5
<b>Total</b>	<b><u>1,190,076</u></b>	<b><u>100.0</u></b>	<b><u>831,505</u></b>	<b><u>100.0</u></b>	<b><u>43.1</u></b>

**Property management services** consist of security, cleaning, gardening, repair, maintenance, land management and ancillary services. Revenue generated amounted to RMB719.4 million, representing an increase of 34.3% as compared with RMB535.6 million for the corresponding period of 2022. It was the Group's main source of revenue and accounted for 60.4% of total revenue for the six months ended 30 June 2023. The increase in revenue was mainly because of the increase in number of projects. Revenue generated from the provision of property management services to properties developed by Binjiang Group was RMB355.9 million as compared with RMB292.7 million for the corresponding period of 2022, and accounted for 49.5% of revenue from property management services during the Period, representing a year-on-year decrease of 5.1 percentage points.

**Value-added services to non-property owners** mainly include pre-delivery services, consulting services and community space services. Revenue generated from the services amounted to RMB279.5 million, representing an increase of 19.1% as compared with RMB234.6 million for the corresponding period of 2022, and accounted for approximately 23.5% of the Group's total revenue. The increase of revenue was mainly due to the steady increase in the number of projects undertaken during the Period.

**5S Value-added services** mainly composed of Youjia services, Youju services and Youxiang living services. Revenue generated amounted to RMB191.2 million, representing an increase of 212.0% as compared with RMB61.3 million for the corresponding period of 2022, and accounted for approximately 16.1% of the Group's total revenue. The increase of revenue was mainly because of the expansion of Youju services scale during the Period, resulting in a significant growth in revenue.

## Gross profit and gross profit margin

Based on the above factors, during the Period, the Group's gross profit increased by 21.3% from RMB262.2 million for the six months ended 30 June 2022 to RMB318.0 million for the six months ended 30 June 2023. The Group's gross profit margin decreased by 4.8 percentage points from 31.5% for the six months ended 30 June 2022 to 26.7% for the six months ended 30 June 2023, mainly because of the rapid development of furnishing services in the Youju business, which accounted for an increase in the proportion.

	For the six months ended 30 June					
	2023			2022		
	Gross profit RMB'000	Gross Profit margin %	% of gross profit %	Gross profit RMB'000	Gross Profit margin %	% of gross profit %
Property management services	138,228	19.2	43.5	110,841	20.7	42.3
Value-added services to non-property owners	113,254	40.5	35.6	107,576	45.9	41.0
5S value-added services	66,550	34.8	20.9	43,825	71.5	16.7
Total	<u>318,032</u>	26.7	<u>100.0</u>	<u>262,242</u>	31.5	<u>100.0</u>

Gross profit of property management services increased by 24.7% from amount of RMB110.8 million for the six months ended 30 June 2022 to RMB138.2 million for the six months ended 30 June 2023. Gross profit margin decreased by 1.5 percentage points from 20.7% for the six months ended 30 June 2022 to 19.2% for the six months ended 30 June 2023. The decrease in gross profit margin of property management services was mainly due to the Group's continuous improvement in quality services and enhancement in management investment in 2023.

Gross profit of value-added services to non-property owners increased by 5.3% from RMB107.6 million for the six months ended 30 June 2022 to RMB113.3 million for the six months ended 30 June 2023. Gross profit margin decreased by 5.4 percentage points from 45.9% for the six months ended 30 June 2022 to 40.5% for the six months ended 30 June 2023. Affected by the overall downturn of the upstream real estate development industry, the Group adjusted the fees for value-added services to non-property owners since 2023, resulting in a decrease in the gross profit margin of value-added services to non-property owners.

Gross profit of 5S value-added services increased by 52.1% from RMB43.8 million for the six months ended 30 June 2022 to RMB66.6 million for the six months ended 30 June 2023. Gross profit margin decreased by 36.7 percentage points from 71.5% for the six months ended 30 June 2022 to 34.8% for the six months ended 30 June 2023. The decrease in gross profit margin was mainly due to the rapid development of furnishing services in the Youju business with a relatively lower gross profit margin, which accounted for an increase in the proportion.

### **Cost of sales**

During the Period, the Group's cost of sales increased by 53.2% from RMB569.3 million for the six months ended 30 June 2022 to RMB872.0 million for the six months ended 30 June 2023, mainly due to the growth in business scale and the rapid development of the Youju services.

### **Selling and marketing expenses**

During the Period, the Group's sales and marketing expenses increased from RMB2.4 million for the six months ended 30 June 2022 to RMB7.6 million for the six months ended 30 June 2023, mainly due to the increase in the corresponding commission and other expenses as a result of the growth in the brokerage business of Youjia services and the Youju services business during the Period.

### **Administrative expenses**

During the Period, the Group's administrative expenses increased by 50.9% from RMB22.0 million for the six months ended 30 June 2022 to RMB33.2 million for the six months ended 30 June 2023, mainly due to the expansion of the business scale.

### **Impairment losses on trade receivables**

During the Period, the impairment loss of the Group's trade receivables decreased by 20.5% from RMB3.9 million for the six months ended 30 June 2022 to RMB3.1 million for the six months ended 30 June 2023, mainly due to the Group's emphasis on the management of collection of accounts receivable, the reversal of allowance on bad debts as a result of the collection of part of accounts receivable from previous years during the Period.

## **Net finance income/(costs)**

During the Period, the Group's finance income represented interest income on bank deposits. The finance income increased from RMB19.5 million for the six months ended 30 June 2022 to RMB31.1 million for the six months ended 30 June 2023. The increase was mainly attributable to an increase in interest income from increasing fixed term deposit and high-yield deposit products as a result of the centralized capital management of the Group. The finance costs decreased from RMB2.0 million for the six months ended 30 June 2022 to RMB0.3 million for the six months ended 30 June 2023. As a result, the net finance income increased by 76.0% from RMB17.5 million for the six months ended 30 June 2022 to RMB30.8 million for the six months ended 30 June 2023.

## **Share of profits less losses of associates and share of profits of a joint venture**

During the Period, the Group's share of profits less losses of associates and share of profits of a joint venture increased by 183.3% from a profit of RMB1.8 million for the six months ended 30 June 2022 to a profit of RMB5.1 million for the six months ended 30 June 2023, mainly because of the increase in profit from associates during the Period.

## **Profit before taxation**

During the Period, the Group's profit before taxation was RMB314.5 million, representing an increase of 21.2% as compared with RMB259.5 million for the corresponding period of 2022, mainly due to the increase in gross profit during the Period.

## **Income tax**

During the Period, the Group's income tax expenses were RMB77.0 million, representing an increase of 14.8% as compared with RMB67.1 million for the corresponding period of 2022, mainly due to the profit improvement from business growth.

## **Profit for the Period**

During the Period, the Group's profit amounted to RMB237.5 million, representing an increase of 23.4%, as compared with RMB192.4 million for the corresponding period of 2022, mainly due to contribution from growth in business scale. The profit attributable to equity shareholders of the Company was RMB231.0 million, representing an increase of 21.4% as compared with RMB190.3 million for the corresponding period of 2022. Net profit margin was 20.0%, decreasing by 3.1 percentage points from 23.1% for the corresponding period of 2022, mainly due to the adjustment of the Group's revenue structure.

## **Current assets, financial resources and current ratio**

The Group maintained good financial performance during the Period. As at 30 June 2023, current assets were RMB3,011.6 million, representing an increase of 14.1% as compared with RMB2,640.1 million as at 31 December 2022.

The Group's cash and cash equivalents during the Period were RMB2,019.6 million, representing an increase of 3.6% as compared with RMB1,949.9 million as at 31 December 2022. This was mainly due to the increase in business scale and the increase in the amount of advance receipts from the Youju services during the Period. Current ratio during the Period was 1.2 times, representing a decrease as compared with 1.6 times as at 31 December 2022.

As of 30 June 2023, the Group had no loans or loans available (31 December 2022: Nil).

As at 30 June 2023, the total equity of the Group was RMB1,268.4 million, which was basically the same as compared with RMB1,286.3 million as at 31 December 2022.

## **Contract liabilities**

As at 30 June 2023, the contract liabilities of the Group amounted to RMB1,546.6 million, representing an increase of 70.5% as compared with RM907.3 million as at 31 December 2022, mainly due to the increase of projects and the prepayment for Youju services of 5S value-added services and the property management service.

## **Investment properties, property, plant and equipment**

As at 30 June 2023, the investment properties, property, plant and equipment of the Group amounted to RMB32.3 million, representing an increase of 20.1% as compared with RMB26.9 million as at 31 December 2022, mainly due to the increase in property, plant and equipment as a result of the growth of business. As at 30 June 2023, the Group had no investment property as the Group did not renew the lease contract to carry on leasing business upon the expiry of lease contract.

## **Contingent liabilities**

The Group did not have any contingent liabilities as at 30 June 2023 and 31 December 2022.

## **Pledged assets**

The Group did not have any pledged assets as at 30 June 2023 and 31 December 2022.

## **Trade and other receivables**

As at 30 June 2023, trade and other receivables amounted to RMB493.6 million, representing an increase of RMB150.1 million or 43.7% as compared with RMB343.5 million as at 31 December 2022 and a year-on-year increase of 53.2% as compared with RMB322.2 million as at 30 June 2022, mainly due to the increase in property management fee receivables as a result of the expansion of business scale.

## **Trade and other payables**

As at 30 June 2023, trade and other payables amounted to RMB943.8 million, representing an increase of RMB271.4 million or 40.4% as compared with RMB672.4 million as at 31 December 2022, mainly due to business growth.

## **Human resources**

As at 30 June 2023, the Group employed a total of 10,709 employees (as at 31 December 2022: 10,336). During the Period, the staff costs of the Group was RMB446.5 million (six months ended 30 June 2022: RMB352.4 million).

## **Significant investments**

The Company did not have any significant investments (including significant investments which accounted for 5% or more of the total assets of the Group) during the Period.

## **Details about significant acquisitions and disposals of subsidiaries, associates and joint ventures**

During the Period, the Group did not have any significant acquisitions and disposals of subsidiaries, associates and joint ventures.

## **Exposure to foreign exchange risks**

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the respective functional currencies of the Group's entities.

The functional currency of the Company, the British Virgin Islands subsidiary and the Hong Kong subsidiary is HK\$. Their businesses are principally conducted in HK\$. In addition, as the HK\$ is pegged to the USD, the Group considers the risk of movements in exchange rates between the HK\$ and the US\$ to be insignificant.



The primary functional currency and primary operating currency of the Group are RMB. Therefore, the Group considers the exposure to foreign exchange risks to be insignificant. Currently, the Group has not entered into any hedging transaction agreements.

## **INTERIM DIVIDEND**

After considering the needs of the Group's business development and shareholder returns, the Board does not recommend declaring an interim dividend for the six months ended 30 June 2023.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability of the Company. During the six months ended 30 June 2023, the Company has adopted and complied with all applicable code provisions under Part 2 of the Corporate Governance Code (the “**CG Code**”) in Appendix 14 to the Rules Governing the Listing of Securities of the Stock Exchange (the “**Listing Rules**”), except for the following deviation:

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive officer and the responsibilities of both chairman and chief executive officer vest in Mr. Zhu Lidong. The Board believes that vesting the responsibilities of both chairman and chief executive officer in the same person has the benefit of ensuring the consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group. Besides, with three independent non-executive Directors out of a total of eight Directors in the Board, there is sufficient independent voice within the Board to protect the interests of the Company and the Shareholders as a whole. Therefore, the Board considers that the balance of power and authority for the present arrangement is not impaired and this structure enables the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Save as disclosed above, the Company complied with the CG Code during the Period. The Company will continue to strictly abide by the corporate governance requirements under the CG Code and the Listing Rules.



## **AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS**

The Company has established the Audit Committee in compliance with the Listing Rules to perform the functions of reviewing and monitoring the financial reporting and internal control of the Company. The Audit Committee currently consists of three independent non-executive Directors, namely, Ms. Cai Haijing, Mr. Ding Jiangang and Mr. Li Kunjun. Ms. Cai Haijing is the chairperson of the Audit Committee.

The Audit Committee has reviewed with the management of the Company the interim results for the Period and the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial statements matters, including the review of the condensed consolidated financial statements of the Group for the six months ended 30 June 2023.

## **MODEL CODE FOR DIRECTOR'S SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Directors and employees (the “**Securities Transactions Code**”). The Company has made specific enquiry with all Directors whether they have complied with the required standards set out in the Model Code and all Directors confirmed that they have complied with the Model Code and the Securities Transactions Code during the six months ended 30 June 2023.

The Company's employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company's relevant employees was noted by the Company during the six months ended 30 June 2023.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2023.

## **EVENTS AFTER THE PERIOD**

There have been no events that would materially affect the Group since the end of the Period.

## CHANGE IN USE OF PROCEEDS FROM GLOBAL OFFERING

As of 31 December 2022, the unutilised net proceeds (the “**Unutilised Net Proceeds**”) from the listing amounted to approximately HK\$250.5 million.

As disclosed in the section headed “Reasons for and Benefits of the Change in Use of Proceeds” in the announcement of “Change in Use of Proceeds from the Global Offering” published by the Company on 29 May 2023 (the “**Announcement**”) and the section headed “Further Details for the Reallocation” in the supplemental announcement published on 28 June 2023, since the listing, the Group had actively sought in the market for potential opportunities in acquiring and investing in property management companies. However, the Group was not able to identify acquisition targets that offer property management services meeting the Group’s service quality management needs and could create synergies. In the case of investment in asset management platforms to engage in the operation of industrial parks, after several rounds of assessment making reference to market valuation and the Company’s financial management objectives, the Group had not reached any agreement with the relevant enterprises in respect of investment-related matters. As the Group had successfully grown and expanded its business organically via third-party projects and establishment of joint ventures, and considering the cost effectiveness and efficiency and the source of quality projects secured by such expansion channels, the Company was of the view that adjustment to the original acquisition and investment plans was required to respond responsibly and flexibly to change in circumstances. As such, the Group considered that, the reallocation of the Unutilised Net Proceeds to the updating of the Group’s management service system and talent recruitment, the establishment of joint venture companies in cooperation with the government and property developers, and as the Group’s working capital and other general corporate purposes could enable the Group to deploy its financial resources in a more effective and efficient manner to meet its sustainable development needs of the Group. The Group will continue to focus on its long-term strategic development needs, strengthen the investment and upgrading of the information technology system, continue to recruit talents, establish and improve the talent training system, so as to further improve the Group’s capability of offering comprehensive services and improve the user experience of the owners. At the same time, the Group will also strengthen its cooperation with the government, property developers and other parties, and actively expand the business scale of the enterprise.

Please refer to the supplemental announcement of the Company dated 28 June 2023 for the factors in determining the allocation of the net proceeds at the time of the Listing and the implementation of the acquisition and investment plans after the listing.

As at 30 June 2023, the Unutilised Net Proceeds after reallocation had been utilised as follows:

Use of proceeds	Proposed use of proceeds according to the Prospectus (HK\$ million)	Utilised net proceeds as of the date of the Announcement (HK\$ million)	New reallocation of the Unutilised Net Proceeds (HK\$ million)	Utilised net proceeds during the Period after reallocation (HK\$ million)	Unutilised net proceeds as at 30 June 2023 (HK\$ million)
Acquisition of property management companies located in major cities in the Yangtze River Delta to further increase the Group's market share in the existing market, and also in new cities such as Shenzhen to expand the Group's geographical coverage	159.4	—	—	—	—
Updating the Group's management service systems and recruiting and nurturing talents	113.8	113.8	125.3	1.9	123.4
Investment in the asset management platform to engage in the operation of industrial parks	91.1	—	—	—	—
Establishing joint venture companies or platform through the cooperation with local governments and property developers <sup>1</sup>	45.5	45.5	75.2	5.0	70.2
As working capital and for other general corporate purposes	45.5	45.5	50	3.0	47.0
	<u>455.3</u>	<u>204.8</u>	<u>250.5</u>	<u>9.9</u>	<u>240.6</u>

1. As of 30 June 2023, 24 joint venture companies had been established.

The Group plans to fully utilise the remaining Unutilised Net Proceeds by 31 December 2025.

Any changes in the aforesaid plans of the use of proceeds will be published via an announcement in due course or updated in the forthcoming financial report of the Company.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT ON THE WEBSITES OF STOCK EXCHANGE AND THE COMPANY**

The interim results announcement has been published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at <http://www.hzbjwy.com>, respectively. The interim report of the Company for the Period, which contains all information required by the Listing Rules, will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board  
**Binjiang Service Group Co. Ltd.**  
**Zhu Lidong**  
*Chairman and Executive Director*

Hong Kong, the PRC  
25 August 2023

*As at the date of this announcement, the Board comprises Mr. Zhu Lidong and Ms. Zhong Ruoqin as executive directors; Mr. Mo Jianhua, Mr. Qi Jiaqi and Mr. Cai Xin as non-executive directors; Mr. Ding Jiangang, Mr. Li Kunjun and Ms. Cai Haijing as independent non-executive directors.*

\* *For identification purpose only*